

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6332

BILL NUMBER: SB 98

NOTE PREPARED: Feb 20, 2012

BILL AMENDED: Feb 20, 2012

SUBJECT: County Highway Maintenance Funding.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. Espich

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) The bill permits a county income tax council to adopt, increase, decrease, or rescind a motor vehicle excise surtax and a wheel tax for a county.

It provides that a county may use property taxes and miscellaneous revenue deposited in the county general fund for the maintenance of county highways. (Current law permits property taxes to be used for highway maintenance only in an emergency and by unanimous vote of the county fiscal body, and the county general fund to be used only for county highway department employees' personal services.)

It also allows a city department, officer, or employee to obligate the city beyond the amount of money appropriated for that department, officer, or employee if: (1) the obligation is made under a multi-year interlocal cooperation agreement entered into by the city and one or more political subdivisions or governmental entities; and (2) the agreement is approved by the city fiscal body.

Effective Date: (Amended) May 1, 2012; July 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Multi-Year Interlocal Cooperation Agreements:* The bill could lead to more multi-year interlocal cooperation agreements (ICA) by allowing a city department, officer, or employee to enter into multi-year ICA beyond a single-year appropriation for the department, officer, or

employee with the approval of the city fiscal body and by describing the method of termination. The bill will have indeterminate fiscal impact based on the efficiencies of the multi-year ICA. Multi-year ICA are currently allowed under IC 36-1-7.

Explanation of Local Revenues: (Revised) *Motor Vehicle Excise Surtax and Wheel Tax for a County:* Under current law, only the county council may adopt, or make changes to, the motor vehicle excise surtax and wheel tax. The surtax and wheel tax must be adopted together. In addition to the county council, this bill would also permit the county income tax council to adopt or change the surtax and wheel tax.

The county income tax council currently exists in COIT-adopting counties and is comprised of the county and municipalities in the county. The votes on the income tax council are apportioned based on population where the county gets credit for the population in the unincorporated areas of the county. This bill would permit the same membership to adopt or change the surtax and wheel tax in all counties that have not yet imposed the taxes, even if a county is not a COIT-adopting county.

In CY 2010, 47 counties raised \$69 M from the surtax and wheel tax. The remaining 45 counties could raise an estimated \$65 M if they adopt the taxes at their maximum rates. This proposal could result in additional counties adopting the taxes.

Money in the excise surtax and wheel tax funds is allocated to each city, town, and the county based on the formula for the Local Road and Street Account. The revenue is used to construct, reconstruct, repair, or maintain streets and roads.

Use of Funds: The bill would allow greater flexibility in using property tax funds and miscellaneous revenue deposited in county general revenue funds to help pay for the maintenance of county highways. To the extent that more money is spent for the maintenance of county highways from these sources of revenue than under current law, fewer funds from these sources would be available for other uses.

State Agencies Affected:

Local Agencies Affected: Counties, cities, and towns.

Information Sources:

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